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E FOR DANIEL MORRISON

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TAGS: [ECON](#) [EFIN](#) [EINV](#) [IT](#)  
SUBJECT: AMBASSADOR ADDRESSES ITALIAN BUSINESS LEADERS

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Summary  
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¶1. (U) On April 27, Ambassador Spogli addressed the leaders of Confindustria, Italy's leading business association, about barriers to, and opportunities for, U.S. investment in Italy. The Ambassador spoke at the invitation of Confindustria President (and Fiat Chairman) Luca Cordero di Montezemolo. This was the first time that outside speakers were invited to speak to Confindustria's governing council, the "Giunta." U.K. Ambassador Ivor Roberts also addressed the meeting. Ambassador Spogli highlighted the need for more university-private sector collaboration, protection of intellectual property, and development of risk capital markets to stimulate foreign investment and, ultimately, economic growth. The Ambassador also publicly unveiled his "Partnership for Growth," a series of U.S.-Italy exchanges to spark economic dynamism. Media coverage of the event was positive and wide-spread. End summary.

Background  
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¶2. (U) On April 27, the Ambassador spoke to Confindustria's Giunta, a group of 150 regional and industry business leaders, who make up the organization's governing council. Oil and gas parastatal ENI CEO Paolo Scaroni, Fiat Chairman Montezemolo, and U.K. Ambassador Roberts also spoke at the event. The Ambassador discussed university-private sector collaboration, improved IPR protection, and broader and deeper risk capital markets--including private equity, venture capital and high-yield bonds--as ways to finance more Italian foreign investment, innovation, and economic growth. Though the speech pulled no punches with respect to Italy's less-than-friendly investment climate, the Ambassador also expressed great optimism about Italy's long-term economic future. He also publicly launched Embassy Rome's "Partnership for Growth," a comprehensive initiative to spur economic dynamism in Italy.

A Receptive Audience for a Tough Message  
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¶3. (SBU) Giunta members appeared receptive to the Ambassador's message that Italy must do more to spark innovation and to give high-growth ventures and existing companies access to growth capital. Many Giunta members shook their heads in disbelief when the Ambassador noted that Ireland attracted more U.S. investment than Italy, even

though Ireland's economy is twelve times smaller.

¶4. (U) Italy's bank-dominated capital markets, the Ambassador said, make it extremely difficult for start-ups to grow into major enterprises. The Ambassador said Italian banks are generally too conservative in their lending and expect loans to be paid back in what, for start-up firms, is an unrealistically short time frame. He also highlighted the potential for Italy to attract greater American private equity investment. Italy has a high percentage of privately held firms (which makes purchasing companies relatively more simple). Furthermore, the Ambassador noted, private equity offers a solution to ageing company founders who lack an heir to take over their businesses.

Business Leaders Share Ambassador's Concerns.  
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¶5. (SBU) Many Confindustria leaders expressed agreement with the Ambassador on the urgency of economic reform. Also notable was the applause resulting from the British Ambassador's comment that investment in Italy requires a stable, continuous government. (Comment: Ambassador Roberts was blunt commenting about the difficulty British energy firms have when trying to invest in Italy. "If such investments fail," Roberts said, "I would be put in the very difficult position of saying to UK companies, 'think very hard about Italy: it may be better to invest somewhere else.'" End comment.)

Media Reaction Generally Positive  
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¶6. (U) The Ambassador's speech generated mostly favorably media coverage. Il Sole 24 Ore, Italy's main financial paper

ROME 00001412 002 OF 002

and owned by Confindustria, devoted an entire article to the Ambassador's comments and particularly noted Italy's failure to attract significant U.S. investment. Another daily, Italia Oggi, focused on the Ambassador's more optimistic comments. The more center-left papers, while mainly sticking to factual accounts of the speech, nevertheless expressed skepticism about the Ambassador's comments and the applicability of the U.S. model to Italy. Roberto Petrini of the left-leaning La Stampa wrote, "If (Italians) truly want to be Americans, we should follow (the Ambassador's) advice."

Comment  
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¶7. (SBU) The invitation of two foreign ambassadors to address the Giunta was a big step for Confindustria, the very embodiment of Italy's conservative and risk-averse business establishment. It took some pushing by the Embassy to get Confindustria to allow journalists to observe the meeting by closed-circuit television. We were pleased with the level of media attention generated by this event, which was covered by all the major papers. While everyone at Confindustria agreed that Italy must reform its economy, there seemed to be very little optimism that the new center-left government, struggling with a razor-thin majority, will be able to reverse Italy's vicious cycle of low growth, low investment, and declining innovation. Regardless, the Ambassador's message was clear: the United States has a direct interest in reversing the economic decline of a key ally. End comment.

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